

FISCAL MEMORANDUM
HB 2633 – SB 3836

May 12, 2008

SUMMARY OF AMENDMENT (016328, 011704, 016518):

Amendment 016328 deletes existing language of the original bill. Deletes current laws governing boxing. Enacts the *Tennessee Athletic Commission Act of 2008* which creates the Tennessee Athletic Commission to license and regulate professional boxing and mixed martial arts (MMA). The Commission will be an independent entity administratively attached to the Department of Commerce and Insurance. Creates the Athletic Commission Account to be used exclusively for the implementation and enforcement of this Act. Violations of the new boxing and MMA laws are punishable as a Class A misdemeanor. For purposes of making appointments to the Commission and promulgating rules, this act takes effect upon becoming law. For all other purposes, this act takes effect July 1, 2008. Amendment 011704 creates the Tennessee Intercollegiate Wrestling Account into which will be deposited all moneys received by the Tennessee Athletic Commission above the amount necessary to operate the commission. Moneys in this account will be used exclusively for administering the account and for developing and maintaining National Collegiate Athletic Association (NCAA) member, division 1 classified wrestling programs at public post-secondary educational institutions in the state. Amendment 016518 raises the gross receipts tax on ticket sales from four percent to ten percent, leaves the first four percent as dedicated revenue to the Tennessee Athletic Commission and dedicates the incremental six percent to foster care.

FISCAL IMPACT OF ORIGINAL BILL:

(CORRECTED)

Increase State Revenue –

Net Impact - \$653,100/FY09-10 & succeeding years

Increase State Expenditures –

\$93,200/One-Time/FY08-09

Net Impact - \$66,200/Recurring/FY09-10 & succeeding years

Increase Local Revenue – Not Significant/FY09-10 & succeeding years

Increase Local Expenditures – Not Significant/ FY09-10 & succeeding years

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue –

**\$724,900/Athletic Commission Account/
FY08-09 and succeeding years**

Decrease State Revenue –

\$71,800/General Fund/FY08-09 and succeeding years

Decrease State Expenditures - \$211,700/General Fund/

FY08-09 and succeeding years

Increase State Expenditures –

**\$12,200/One-Time/Athletic Commission Account/
FY08-09 and succeeding years**

**\$314,500/Recurring/Athletic Commission Account/
FY08-09 and succeeding years**

**Increase Local Revenue – Not Significant/FY08-09 and succeeding
years**

**Increase Local Expenditures – Not Significant/FY08-09 and succeeding
years**

Other Fiscal Impact –

Amendment 011704 requires all funds collected by the Tennessee Athletic Commission above the amount that is required to fund the operation of the Commission to be deposited into the Tennessee Intercollegiate Wrestling Account. The amount of such funds will be determined by revenue collected by the Tennessee Athletic Commission from licensing fees, ticket sales, and television fights less the cost of operation of the Commission.

Amendment 016518 raises the gross receipts tax on ticket sales from four percent to ten percent, leaves the first four percent as dedicated revenue to the Tennessee Athletic Commission and dedicates the incremental six percent to foster care. It is estimated that this will generate approximately \$540,000 in additional recurring revenue allocated to foster care, with a one-time offset of approximately \$100,000 for computer costs. The net first year impact will be an increase of approximately \$440,000 in funds for foster care, with approximately \$540,000 in additional foster care funds each succeeding year.

Assumptions applied to amendments:

**Tennessee Athletic Commission
State Revenue:**

- The greater amount of \$500 or a four percent gross receipts tax on the sale of tickets will be collected for each event. Based on historical figures, the average club fight has generated less than \$500 in revenue for each event. It is estimated that club fights will generate approximately \$12,000 in state revenue on an annual basis beginning in FY08-09 (24 club fights x \$500 = \$12,000).
- The average title fight will pay a four percent gross receipts tax based on ticket sales. Based on historical attendance figures and ticket pricing for boxing title fights in this state and based on the estimated attendance figures and ticket costs for the expected additional MMA title fights, it is estimated that title fights will generate approximately \$360,000 in state revenue on an annual basis beginning in FY08-09 (\$120 average per ticket x 15,000 tickets x 5 title fights x 4% = \$360,000).
- The state will collect three percent on the first \$1 million and one percent on the next \$2 million of boxing and MMA television contracts. Based on the historical number of televised fights originating in this state and the expected additional MMA fights, it is estimated that approximately three fights per year will be broadcast on television networks or pay-per-view channels. Since television contracts are proprietary information that is not shared with the state, the amount of revenue that will be generated is unquantifiable. For the purposes of this fiscal note we estimate that each fight broadcast on television networks or pay-per-view channels will generate at least \$25,000 for a total annual increase in state revenue of \$75,000 beginning in FY08-09 (3 televised fights x \$25,000 each = \$75,000).
- Approximately 700 licenses and permits will be issued initially with approximately 350 issued annually and renewed on a biennial basis.
- The total increase in state revenue beginning in FY08-09 is estimated to be approximately \$724,900 (\$12,000 club fight revenue + \$360,000 title fight revenue + \$75,000 television rights revenue + \$277,900 license and permit fee revenue = \$724,900).
- The provisions of this bill authorize the Commission to start issuing licenses and collecting fees beginning in FY08-09. The provisions of this bill that authorize the fights and the collection of revenue from such fights will also become effective in FY08-09.

Tennessee Athletic Commission
State Expenditures FY08-09 and succeeding years:

- According to the provisions of this bill, the Commission will be appointed and will hold meetings beginning in FY08-09. It is assumed that a director/administrator and an attorney will be hired by the Commission in FY08-09.
- One-Time expenditures in FY08-09 for computer equipment (\$7,200) and office furnishings (\$4,000) for two new positions, and computer programming (\$1,000).
- Recurring expenditures in FY08-09 and succeeding years for the salary, benefits and operational expenses for an Administrative Director for the Commission in the amount of \$68,700 (\$42,300 salary + \$14,500 benefits + \$11,900 operational expenses = \$68,700).
- Recurring expenditures in FY08-09 and succeeding years for the salary, benefits and operational expenses for an attorney position for the Commission in the amount of \$82,200 (\$52,300 salary + \$18,000 benefits + operational expenses of \$11,900 = \$82,200).
- Recurring expenditures in FY08-09 and succeeding years of approximately \$24,300 for travel, per diem and compensation for nine members to attend six annual meetings of the Commission (\$300 travel and per diem + \$150 compensation = \$450 x 9 members x 6 meetings = \$24,300).
- The provisions of this bill authorize the Commission to start issuing licenses and collecting fees beginning in FY08-09. The provisions of this bill that authorize the fights and the collection of revenue from such fights will also become effective in FY08-09.
- Recurring expenditures beginning in FY08-09 of approximately \$28,800 for travel and per diem for two commissioners and the director and compensation for two commissioners to attend 24 club fights (\$300 travel and per diem x 3 persons x 24 club fights = \$21,600; 2 commissioners x \$150 compensation x 24 club fights = \$7,200; \$21,600 travel and per diem + \$7,200 compensation = \$28,800). Club fights will require one over-night stay for the commissioners and the director.
- Recurring expenditures beginning in FY08-09 of approximately \$10,500 for travel and per diem for two commissioners and the director and compensation for two commissioners to attend five title fights (\$500 travel and per diem x 3 persons x 5 title fights = \$7,500; 2 commissioners x \$300 compensation x 5 title fights = \$3,000; \$7,500 travel and per diem + \$3,000 compensation = \$10,500). Title fights will require two over-night stays for the commissioners and the director.
- Recurring expenditures beginning in FY08-09 of approximately \$100,000 to cover the cost of investigative/regulatory duties for all fights. Historically, the average annual cost for investigative/regulatory duties is approximately \$112,200. The average number of fights will

increase from approximately 17 per year to approximately 29 per year. Since the Commission will require investigators, this estimate assumes that the Commission will contract with staff from a pool of investigators that are shared by all boards and commissions in the Division of Regulatory Boards. Their salaries, benefits and travel expenses are paid through fees by the programs that use their services.

- The total increase in state expenditures beginning in FY08-09 will be approximately \$326,700 which includes a one-time increase of \$12,200 (\$7,200 computer equipment, \$4,000 office furnishings, and \$1,000 for computer programming) and recurring expenditures of \$314,500 (\$68,700 director salary, benefits and expenses + \$82,200 attorney salary, benefits and expenses + \$24,300 travel, per diem and compensation for Commission meetings + \$28,800 travel, per diem and compensation to attend 24 club fights + \$10,500 travel, per diem and compensation to attend 5 title fights + \$100,000 investigative/regulatory expenses = \$314,500).
- This estimate assumes that revenue of the Tennessee Athletic Commission from licensing fees, ticket sales, and television fights will be generated in an amount sufficient to cover expenditures of the Tennessee Athletic Commission.

Current Boxing Program – Impact on General Fund

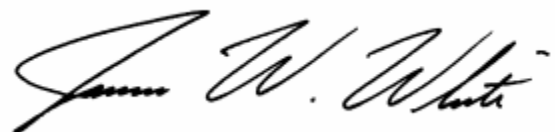
- State revenues of \$71,800 currently collected through license fees and the four percent gross receipts tax will no longer be collected in FY08-09 and succeeding years.
- State expenditures of \$211,700 to operate the existing boxing program (personnel and related expenses) in the Department of Commerce and Insurance will no longer be required with the creation of the Tennessee Athletic Commission.

Local Revenue and Expenditures:

- There will not be a sufficient number of prosecutions for local governments to experience any significant increase in revenue or expenditures.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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